



TSP

at a
Glance



Thrift Savings Plan for
Federal Employees



FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
1250 H Street, NW Washington, DC 20005

February 2003

WELCOME TO THE THRIFT SAVINGS PLAN!

The Thrift Savings Plan is an important benefit designed to help you save for your future. If you are a newly hired FERS employee, you can begin your contributions to the TSP immediately. When you become eligible, your agency will contribute an amount equal to 1% of your basic pay each pay period. In addition, your agency will match your contributions up to certain limits set by law. To take advantage of all the agency matching money that is available to you, you would need to contribute 5% of your basic pay each pay period. You can contribute more or less, however.

You may think you are too young or financially constrained to worry about retirement. Remember, however, that delaying your decision to contribute means that you miss out on agency matching contributions that you can never recapture.

If you are a CSRS employee, you do not receive any agency money, but, like FERS employees, you decide how your money is invested, and you don't pay taxes on it or its earnings until you take it out.

This brochure is designed only as an introduction to the major features of the TSP. You should read the more detailed *Summary of the Thrift Savings Plan for Federal Employees*; it is the authoritative source of information about the TSP. The Plan Summary and other TSP publications and forms are available from your agency personnel office and can be downloaded from the TSP Web site at www.tsp.gov.

Civilian employees who are members of the Ready Reserve can also contribute to a separate TSP account from their Reserve pay. Members of the uniformed services should read the *Summary of the Thrift Savings Plan for the Uniformed Services* for complete and accurate TSP information applicable to them.

You can participate in the TSP if you are covered by the Federal Employees' Retirement System (FERS), the Civil Service Retirement System (CSRS), or an equivalent retirement plan.

The TSP offers all participants:

- Tax deferral on contributions
- A choice of five investment funds
- A loan program
- In-service withdrawals for financial hardship or after age 59½
- A choice of post-separation withdrawal options
- The ability to transfer money from eligible employer plans into your TSP account

How do I sign up for the TSP?

Ask your agency personnel office for the TSP Election Form (TSP-1) or download a copy from the Forms & Publications section of the TSP Web site (www.tsp.gov). Use the form to show how much you want to contribute each pay period. If you are a current Federal employee, submit Form TSP-1 to your agency personnel office during any TSP open season. If you are a new employee, you may submit Form TSP-1 during the first 60 days after your employment. (Some agencies may be using an electronic version of Form TSP-1. Check with your personnel office.)

Your agency will deduct your contributions from your pay each pay period. You can stop your contributions at any time. See the *Plan Summary, page 7*.

Why is the TSP especially important for FERS employees?

If you are a FERS employee, your TSP account is one of three parts of your retirement coverage. It is separate from the other two parts, which are your FERS Basic Annuity and Social Security.

As soon as you are eligible (see the *Plan Summary, page 5*), you will receive two types of agency contributions to your TSP account, which together can equal as much as 5% of your basic pay.

1. **Agency Automatic (1%) Contributions.**

When you become eligible, your agency automatically deposits into your TSP account an amount equal to 1% of your basic pay each pay period, even if you do not contribute your own money. After 3 years of Federal civilian service (or 2 years, in some cases), you are vested in these contributions and their earnings. Refer to the *Plan Summary, page 11*.
2. **Agency Matching Contributions.**

When you become eligible, your agency will match the first 3% of basic pay you contribute each pay period dollar-for-dollar. Each dollar of the next 2% of basic pay that you contribute will be matched 50 cents on the dollar. You are immediately vested in the matching contributions. Refer to the *Plan Summary, page 11*.

Here’s how your Agency Automatic (1%) and Matching Contributions can add up to an additional 5% of your basic pay:

Percent of Basic Pay Contributed to Your Account (FERS Employees Only)			
You put in:	Your agency puts in:		The total contribution is:
	Automatic Contribution	Matching Contribution	
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
6% – 13%	1%	4%	11% – 18%

You can contribute a percentage of your basic pay or a whole dollar amount up to the limits below:

TSP Limits (FERS)		IRS Limits	
For Pay Periods:		Calendar Year	
Dec 2002 – Nov 2003	13%	2003	\$12,000
Dec 2003 – Nov 2004	14%	2004	\$13,000
Dec 2004 – Nov 2005	15%	2005	\$14,000
Dec 2005 and beyond	Limit Eliminated	2006	\$15,000

How does the TSP benefit CSRS employees?

If you are a CSRS employee, you can take advantage of the TSP to provide a source of retirement income in addition to your CSRS annuity. Beginning December 1, 2002, you can contribute up to 8% of your basic pay each pay period. (This percentage limit will increase by 1% each December until 2005, when it will be eliminated and only the IRS limit will apply.)

Although you do not receive any agency contributions, you receive the tax benefits and other TSP benefits described below, including the opportunity to invest in all five TSP funds. You are always vested in all of the money in your account.

What TSP benefits apply to both FERS and CSRS employees?

Tax Savings. Your TSP contributions are deducted from your pay before Federal and, in most cases, state income taxes are calculated. Refer to the *Plan Summary*, page 10.

As long as the money stays in your account, you pay no income tax on any contributions or associated earnings.

Choice of Investment Funds. All participants can invest in any or all of the five TSP funds. You can choose the investment mix that is right for you. Refer to the *Plan Summary, page 18*.

Loans. Through the TSP loan program, you may borrow your contributions and related earnings for general purpose loans (with a repayment period of 1 to 4 years) or for the purchase of a primary residence (with a repayment period of 1 to 15 years). Documentation is required for residential loans only. There are other restrictions on loan amounts. Spousal rights apply. For more information, read the booklet *TSP Loan Program* or refer to the *Plan Summary, page 29*.

In-Service Withdrawals. While you are employed by the Federal Government, you may withdraw your money after age 59½ or for financial hardship. See the *Plan Summary, page 31*.

Portable Benefits. If you leave Government service, you can ask the TSP to transfer certain types of withdrawal payments to a traditional IRA or eligible employer plan that accepts such transfers. See the *Plan Summary, page 33*. You may also transfer money from traditional IRAs or eligible employer plans into your TSP account. Refer to the *Plan Summary, page 8*.

Choice of Post-Separation Withdrawal Options. You may choose to withdraw your account in a single payment, monthly payments, or a life annuity. Refer to the *Plan Summary, page 33*.

When do my agency contributions begin?

New FERS employees must wait a specified period before they can receive agency contributions. Depending on when you were hired as a FERS employee, your eligibility for agency contributions begins as follows:

If you were hired:	You are eligible for Agency Automatic (1%) and Matching Contributions
July 1 – November 30, 2002	First full pay period in June 2003*
December 1, 2002 – May 31, 2003	First full pay period in December 2003
June 1 – November 30, 2003	First full pay period in June 2004

* Eligibility dates changed because TSP open season dates and the associated election periods changed in the fall of 2002.

If you are a rehired FERS or CSRS employee, or if you have questions about your eligibility, consult your agency personnel office.

How do I allocate my contributions among the five funds?

You can allocate your contributions using the TSP Web site, the ThriftLine ((504) 255-8777), or Form TSP-50, Investment Allocation. If you are new to the TSP and you have never made a contribution allocation, all contributions to your account will be invested in the G Fund until you make an allocation. You may change your contribution allocation at any time. Refer to the *Plan Summary, page 8*. (To redistribute money already in your account, you must make an interfund transfer. Refer to the *Plan Summary, page 27*.)

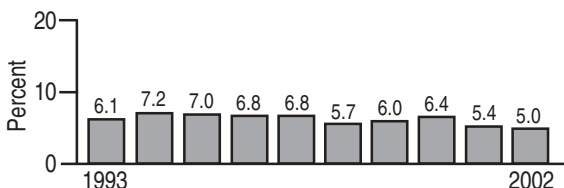
What are my investment options?

You have a choice of five investment funds. Pages 18 – 27 of the *Plan Summary* describe the five funds in detail.

The G Fund. The Government Securities Investment Fund is invested in short-term non-marketable U.S. Treasury securities that are specially issued to the TSP. The G Fund interest rate is a weighted average of market rates of return on outstanding U.S. Treasury securities with 4 or more years to maturity. The following chart shows the G Fund total rates of return (after expenses) for the 10 years through 2002.

G Fund Rates of Return

1993 – 2002 compound annual rate of return = 6.2%



There is no credit risk (that is, risk of non-payment of principal or interest) for the Treasury securities in the G Fund. In addition, market risk (risk that investments may fluctuate in value as interest rates change) is eliminated by the Board's current policy of investing the G Fund in short-term rather than longer-term securities. However, G Fund rates of return may well be lower than those of the other TSP funds over the long term.

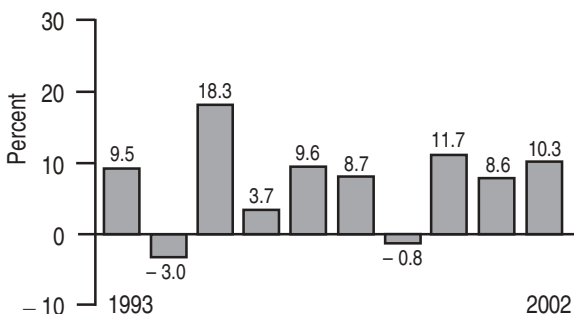
The F Fund. The Fixed Income Index Investment Fund is invested in a bond index fund that tracks the Lehman Brothers U.S. Aggregate (LBA) bond index. This index consists primarily of high-quality fixed-income securities representing the U.S. Government, mortgage-backed, corporate, and foreign government sectors of the U.S. bond market.

The F Fund offers the potential for increased rates of return relative to the G Fund over the long term, especially in periods of generally declining interest rates. At such times, the market value of the bonds held in the F Fund should increase, unlike those of the short-term securities held in the G Fund.

Unlike the G Fund, the F Fund carries credit risk, market risk, and prepayment risk. The F Fund also has the potential for negative returns, which would result in losses. The chart below shows the F Fund total rates of return (after expenses) for the 10 years through 2002.

F Fund Rates of Return

1993 – 2002 compound annual rate of return = 7.5%



The TSP Stock Funds. The C, S, and I Funds are stock index funds. These three funds give you the opportunity to diversify your investments among a broad range of stocks. The advantages of investing in stock index funds are: (1) the potential for the relatively high investment returns that are sometimes available from stocks; (2) diversification, which mitigates the effect on overall returns from the poor performance of an individual security or industry; (3) relatively low investment management fees and trading costs.

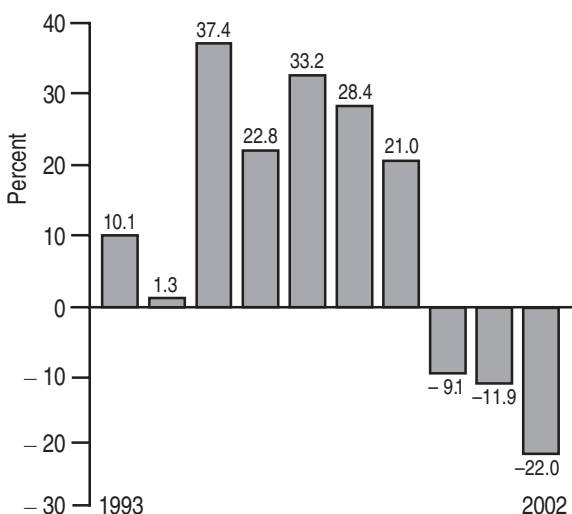
The main risk of investing in a stock index fund is that it may experience a sharp decline with unfavorable changes in overall economic conditions. The total return on a stock fund could be negative, resulting in a loss.

The C Fund. The Common Stock Index Investment Fund is a large company stock fund. The C Fund tracks the Standard & Poor's 500 (S&P 500) stock index, which consists of the stocks of 500 companies traded in the U.S. stock markets.

The C Fund gives you the opportunity to invest in a diversified portfolio of large U.S. companies. The risk of investing in the C Fund is that the value of stocks can decline sharply, and the total return on the C Fund could be negative, resulting in a loss. The chart below shows the C Fund total rates of return (after expenses) for the 10 years through 2002.

C Fund Rates of Return

1993 – 2002 compound annual rate of return = 9.3%



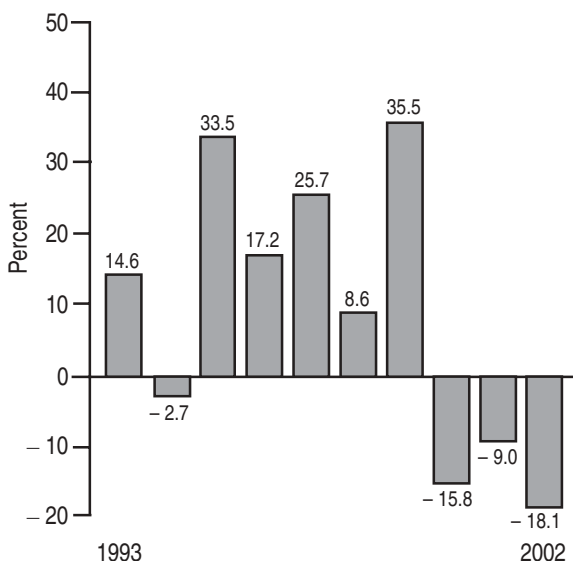
The S Fund. The Small Capitalization Stock Index Investment Fund is the TSP's medium and small company stock fund. The S Fund tracks the Wilshire 4500 stock index, which consists of the stocks of U.S. companies not included in the S&P 500 index.

The S Fund gives you the opportunity to further diversify your stock investments. The Wilshire 4500 index is the broadest measure of the U.S. stock markets that excludes the companies in the S&P 500 index. Thus, the S Fund in combination with the C Fund covers virtually the entire U.S. stock market.

Investing in the S Fund includes the additional risk associated with stocks of mid-size and smaller companies which tend to be more volatile than the stocks of the larger companies in the C Fund's S&P 500 index. The chart below shows the Wilshire 4500 index and S Fund rates of return for the 10 years through 2002.

Wilshire 4500 and S Fund Rates of Return*

1993 – 2002 compound annual rate of return = 7.3%



* Because the S Fund was established in May 2001, no historical rates of return are available before that date. The chart shows the returns of the Wilshire 4500 index (without any deductions for expenses) before 2001. The 2001 return is a composite return using the Wilshire 4500 index return for the period before May and the actual S Fund return for the remainder of the year.

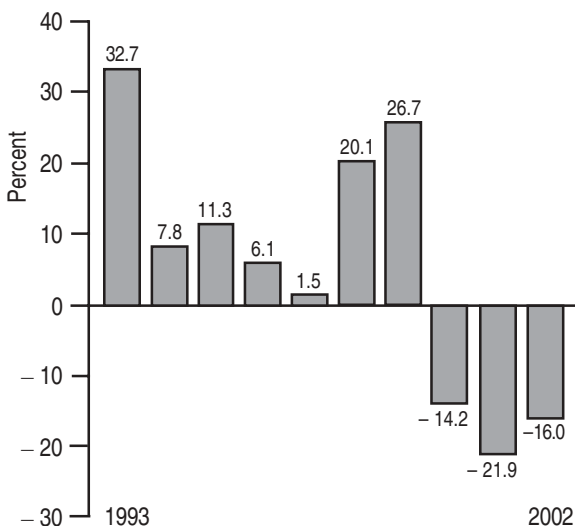
The I Fund. The International Stock Index Investment Fund is the TSP's foreign company stock fund. The I Fund tracks the EAFE (Europe, Australasia, Far East) stock index, which consists of common stocks of large international companies in 21 countries.

The I Fund gives you the opportunity to further diversify your stock investments to include stock markets of developed countries outside the U.S.

The additional risks of investing in the I Fund include both the increased volatility of foreign markets and the risk of foreign currency fluctuations. The chart below shows the EAFE index and I Fund rates of return for the 10 years through 2002.

EAFE and I Fund Rates of Return*

1993 – 2002 compound annual rate of return = 3.9%



* Because the I Fund was established in May 2001, no historical rates of return are available before that date. The chart shows the returns of the EAFE index (without any deductions for expenses) before 2001. The 2001 return is a composite return using the EAFE index return for the period before May and the actual I Fund return for the remainder of the year.

If you choose to invest in the F, C, S, or I Fund, you must acknowledge the risks involved. There is no assurance that future rates of return will replicate the rates shown in the previous charts.

To find out more about each fund's advantages, risks, and performance history, see the *Plan Summary, pages 18 – 27*. The *Guide to TSP Investments*, available from your personnel office or the TSP Web site, also offers more detail about TSP investments.

Can I change the way the money in my account is invested?

Yes. You can change the investment of money already in your account by requesting an interfund transfer. You can make your request on the TSP Web site (www.tsp.gov), the ThriftLine ((504) 255-8777), or on Form TSP-50, Investment Allocation. Interfund transfers are processed monthly. If your request is received by the 15th of the month, your transfer will be effective as of the end of that month. The TSP will send you a confirmation of the transfer. For more information, refer to the *Plan Summary, page 27*. (To change the way your future contributions are invested, you must make a contribution allocation. Refer to the *Plan Summary, page 8*.)

How do I keep track of my account?

The TSP will send you semiannual participant statements showing your account activity since the last statement. Check all of the information on your statement, including your address. Your statement and other important mailings are sent to the address that your agency reports to the TSP record keeper. Contact your agency personnel office if any corrections are necessary. (If you are separated from Federal service, contact the TSP Service Office.)

You can also find out your account balance by visiting the TSP Web site or by calling the ThriftLine.

What are my spouse's rights?

Spouses' rights requirements apply to all loans, in-service withdrawals, and post-employment withdrawals. See the *Plan Summary*, page 38.

Loans and In-Service Withdrawals. If you are a married FERS participant, your spouse must give written consent to your loan or in-service withdrawal request. If you are a married CSRS participant, your spouse will receive a notification of your loan application or withdrawal request.

Post-Separation Withdrawals. Spouses' rights requirements apply to vested accounts of more than \$3,500. If you are a married FERS participant, your spouse is entitled to a prescribed joint and survivor annuity. If you select any other withdrawal option, your spouse must first waive his or her right to the prescribed annuity. If you are a married CSRS participant, the TSP must notify your spouse of any withdrawal election.

Special Information Services

Your primary source of information about the TSP is the *Summary of the Thrift Savings Plan for Federal Employees*. Ask your personnel office for a copy. You may also be interested in the following special services:

TSP Web Site

www.tsp.gov

The TSP Web site is the most efficient way to get up-to-date information about the TSP, monthly and historical rates of return for the five TSP investment funds and related indexes, the current loan interest rate and annuity interest rate index, and the most recent copies of TSP materials. You can also use the interactive calculators to project the growth of your account and to estimate annuity payments from different types of TSP annuities.

Using your Social Security number (SSN) and your TSP Personal Identification Number (PIN), you can find out your account balance, the amount available for you to borrow, your outstanding loan balance and prepayment amount, and the status of a loan or post-employment withdrawal request. You can

change the allocation of your future payroll contributions among the five TSP funds, and request an interfund transfer. You can also change or replace your PIN.

The Web site is accessible to visually impaired participants who use non-graphics browsers.

ThriftLine (504) 255-8777

The ThriftLine is an automated service accessible through any touch-tone telephone, 24 hours a day, 7 days a week (not toll-free). You can call for the most recent rates of return, the current loan interest rate, and the current annuity interest rate index. You can also hear TSP news and change or replace your PIN.

With your SSN and TSP PIN, you can use the ThriftLine to check your account balance, to execute certain transactions, and to find out the amount available for you to borrow and the status of your loan or post-employment withdrawal request.

Text Telephone (504) 255-5113

Hearing-impaired participants can contact the TSP Service Office, Monday – Friday, 7:00 a.m. – 4:30 p.m., central time.

